

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00 SP-02

AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15 STR-01

OMB-01 CEA-01 L-02 H-01 CIAE-00 INR-07 NSAE-00 INT-05

COME-00 AEC-05 FEAE-00 OPIC-03 XMB-02 OES-03 SAB-01

FPC-01 PA-01 PRS-01 IGA-01 /081 W
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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC IMMEDIATE 291

C O N F I D E N T I A L TEHRAN 1608

E.O. 11652: GDS

TAGS: USIRJC, IR

SUBJ: PETROCHEMICAL PROJECTS AND RELATED USG POLICY DECISIONS
FOR JOINT COMMISSION MEETING

REF: TEHRAN 1575

1. CONFERENCE WITH DIRECTOR MOSTOFI OF NATIONAL PETROCHEMICAL COMPANY IDENTIFIED THREE LARGE PETROCHEMICAL PROJECTS WHICH ARE ALREADY COVERED BY LETTERS OF INTENT WITH US JOINT VENTURE PARTNERS BUT SHOULD, NONETHELESS, BE GIVEN RECOGNITION IN JOINT COMMISSION MINUTES AND PRESS STATEMENT. THESE ARE DOW CHEMICALS' 50/50 JOINT VENTURE WITH NPC, AN ESTIMATED TOTAL INVESTMENT OF \$650 MILLION IN A BALANCED PETROCHEMICAL COMPLEX USING GAS TO PRODUCE INTERMEDIATE AND FINAL PETROCHEMICALS; JOINT VENTURE OF NPC ON 50/50 BASIS WITH THREE US COMPANIES--ASHLAND, GOODRICH, AND PHILLIPS PETROLEUM--ESTIMATED JOINT VENTURE PLANT COSTS OF \$800 MILLION TO PRODUCE OLEFIN AROMATICS AND COMPLEX DERIVATIVES INCLUDING SYNTHETIC RUBBER PLASTICS; AND UNION CARBIDE'S 50/50 JOINT VENTURE WITH NPC, TOTAL ESTIMATED INVESTMENT \$750 MILLION TO PRODUCE ETHYL AND ISOPROPYL ALCOHOL AND ETHYLENE GLYCOL. THIS PROJECT INCLUDES OPTION FOR NPC TO ACQUIRE 20 PERCENT OF UNION
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CARBIDE'S PETROCHEMICAL REFINERY IN PONCE, PUERTO RICO. LETTERS

OF INTENT SIGNED MI-1974 AND STUDIES AND OTHER PREPARATIONS FOR CONSTRUCTION ARE ACTIVELY PROCEEDING ON ALL THREE.

2. A COMMON FEATURE OF THESE PROJECTS IS THAT THEY UTILIZE IRAN'S GAS SURPLUS TO PRODUCE EASILY TRANSPORTABLE PRODUCTS. ANOTHER COMMON FEATURE IS OPTION GIVEN US PARTNERS TO BUY NAPTHA FOR THEIR OPERATIONS IN US (OR IN THE CASE OF DOW, IN HOLLAND).

3. ANOTHER MAJOR PROJECT UNDER INITIAL EXPLORATION INVOLVED DUPONT JOINT VENTURE WITH NPC IN A PETROCHEMICAL REFINERY TO BE LOCATED IN THE US AND JOINT VENTURE WITH NPC ON DOWN-STREAM PRODUCTION UNITS IN US.

4. IN ORDER TO INCLUDE THESE PROJECTS IN JOINT COMMISSION AGREED MINUTES AND PRESS RELEASE, NEED URGENT USG EXECUTIVE BRANCH DECISIONS ON FOLLOWING QUESTIONS:

A. USG ATTITUDE TOWARD IRANIAN NATIONAL PETROCHEMICAL COMPANY PLAN TO ACQUIRE SUBSTANTIAL (POSSIBLY 20 PERCENT) OWNERSHIP OF US PETROCHEMICAL REFINERIES (TWO EXISTING AND ONE TO BE BUILT) AND IN CERTAIN DOWN-STREAM PETROCHEMICAL PROCESSING COMPANIES RELATED TO REFINERIES.

B. USG ATTITUDE TOWARD LONG-TERM SUPPLY CONTRACTS BY US COMPANIES TO OBTAIN NAPTHA, ETHYLENE GLYCOL AND ALCOHOL FROM IRAN FOR US JOINT VENTURE PARTNERSHIPS' US OPERATIONS.

C. APPLICABILITY OF NEW US OIL IMPORT FEE TO SUCH SUPPLIES OF NAPTHA, ALCOHOL, ETHYLENE GLYCOL OR OTHER PETROCHEMICAL REFINED PRODUCTS.

5. REQUEST GUIDANCE TO EMBASSY TEHRAN FOR DISCUSSION WITH GOI OF US POSITION ON QUESTIONS STATED IN PARAGRAPH 4 PRIOR TO DEPARTURE OF GOI OFFICIALS FOR JOINT COMMISSION MEETING.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, CHEMICAL INDUSTRY, JOINT VENTURES
Control Number: n/a
Copy: SINGLE
Draft Date: 19 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TEHRAN01608
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750059-0040
From: TEHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750230/aaaabaqo.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 TEHRAN 1575
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 06 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 AUG 2003 by izenbei0>; APPROVED <25 NOV 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PETROCHEMICAL PROJECTS AND RELATED USG POLICY DECISIONS FOR JOINT COMMISSION MEETING
TAGS: EIND, IR, US, USIRJC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006